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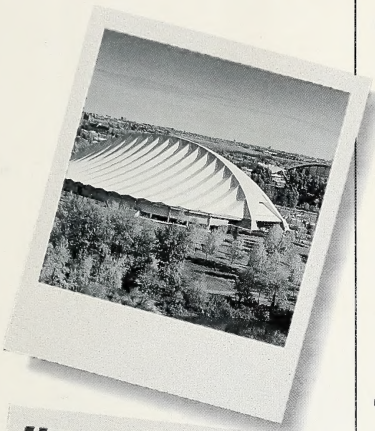


Western Canada Lottery Alberta Division

1990-91 Annual Report

Board Of Directors

Chairman
Robert Prestage
Public

Vice-Chairman
Gary G. Boddez
Government of Alberta

Secretary-Treasurer
Jack Berthelsen
Calgary Exhibition & Stampede Limited

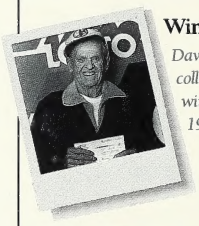
Directors
Bob Hymas
Lee Thompson
Calgary Exhibition & Stampede Limited

Don Jackson
Frank Johnson
Gerry Yuen
Edmonton Northlands

Pat Healy
Howard MacDonald
Public

General Manager
Jack Rutherford

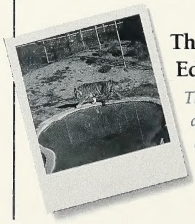
On The Cover



Winners
David Gillis of Edmonton, collects $5 million after winning the September 22, 1990 Lotto 6/49 jackpot!

Lindsay Park Sports Centre, Calgary
Calgary residents are enjoying numerous recreational activities offered at Lindsay Park Sports Centre, a first-class facility, which has been expanded with lottery funding assistance.

Winners
On October 20, 1990 Clayton & Louise Hodder of Calgary said "yes" to The Plus — winning the $100,000 jackpot!



The Valley Zoo, Edmonton
The new Tiger Habitat Display at Edmonton's Valley Zoo was constructed through a lottery grant provided under the Community Facility Enhancement Program.

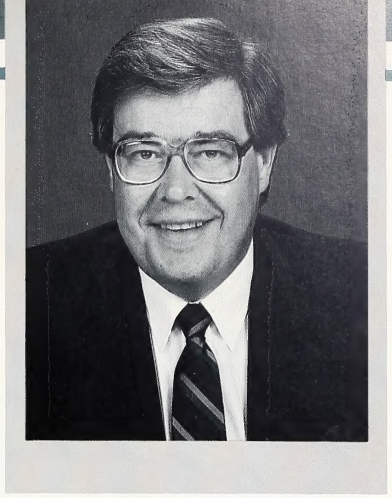
Message From The Minister

Lottery revenues continue to be put toward worthwhile initiatives which can make all Albertans proud. During this fiscal period, the Government of Alberta provided more than $100 million in lottery funding to over 2,500 projects driven by community and volunteer groups throughout the province. I am pleased that lottery-funded foundations, agencies and programs continue to support the efforts of Alberta's extensive network of volunteers.

The lottery industry is a dynamic one that has also created many jobs and business opportunities for Albertans, including 1,473 on-line lottery retailers operating throughout the province. As well, the relocation of the Marketing Department of the Western Canada Lottery Corporation from Winnipeg to Stettler, Alberta, will provide another boost to our rural economy.

Albertans continue to receive important benefits from their lottery dollar. The hard-working staff of the Alberta Division remains committed to generating revenues to support beneficiaries throughout the province.

Hon. Ken Kowalski
Minister Responsible for Lotteries



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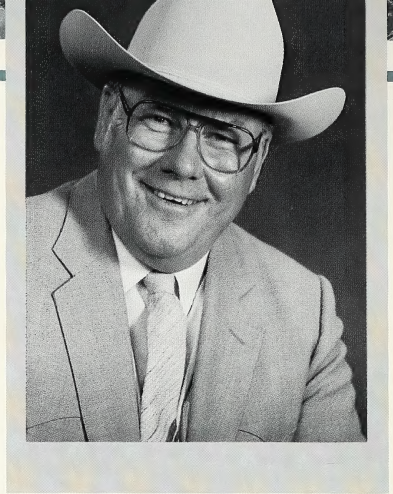
Chairman's Message

Operating in difficult economic times, the lottery industry thrived in Alberta. Over the past fiscal year, sales exceeded $315 million, and a net income greater than $108 million was returned to the Alberta Lottery Fund for the continuing provision of beneficiary funding for community initiatives.

During fiscal 1991, Alberta Lotteries maintained an important role within the Western Canada Lottery Corporation. Our strategic thinking was aligned to reflect a broader, more progressive vision, resulting in a transition from traditional to innovative products. This vision included the development of sports wagering to complement our profitable on-line network and market research of video lottery, on-line keno, global lottery products, and instant ticket vending machines.

The structure of the Western Canada Lottery Corporation partnership was a critical issue, and its resolution vital to securing a strong lottery operation in Alberta. Supported by our corporate partners in Saskatchewan and Manitoba, the relocation of the Western Canada Lottery Corporation's marketing department to Stettler enabled us to deliver to Albertans proportionate economic benefits.

The Honourable Ken Kowalski, Minister Responsible for Lotteries, provided strong leadership and support. His guidance enabled the Board of Alberta Lotteries to build a vision for the future, providing even greater financial benefits for all Albertans.



I commend the management and staff of Alberta Lotteries for their enthusiasm and spirit shown during this time of growth. Their dedication proved invaluable in meeting the market challenge.

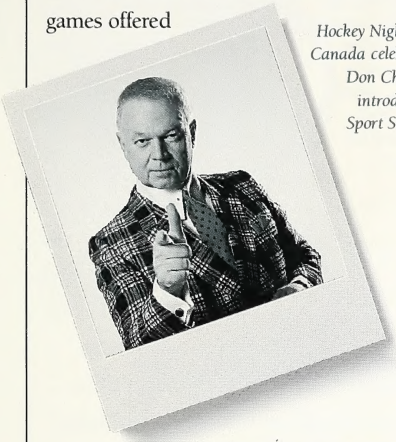
I thank the Board of Directors for their support during my first term as Chairman. It is also my pleasure, on behalf of the board, to acknowledge Mr. Howard MacDonald, Chairman of the Board of Directors for three years ending October, 1990. His dedication served to ensure the achievement and success of lotteries in Alberta. This success will flourish well into the future.

Robert Prestage
Chairman

1991 Highlights

Sports Wagering A Hit

In October, 1990 Alberta Lotteries introduced sports wagering via a distinct network of 225 Alberta Lottery Ticket Centres. Following years of research in Western Canada, two games, Pro Line and Excel Hockey, were marketed under the umbrella name Sport Select. The games offered



Hockey Night In Canada celebrity Don Cherry introduces Sport Select.

players an opportunity to wager on the results of professional sporting events. This form of wagering had been popular for decades in many European countries; Sport Select was modeled after the Swedish game "Odd Set". Sports personality Don Cherry promoted the games, which generated more than $11.5 million in sales revenue.

Alberta: The Winning Phenomenon

Fiscal 1991 was a "winning phenomenon" for everyone involved with Alberta Lotteries — retailers, winners and beneficiaries alike.

Alberta Lotteries flagship game, Lotto 6/49, generated 55 percent of lottery sales with revenue exceeding $173.2 million. At the same time it produced an unprecedented number of Albertan winners during the summer of 1990. From June to September, 1990, eight Lotto 6/49 purchasers became instant millionaires. There was one $10 million winner, one $6 million winner, three $5 million winners, one $2.1 million winner and two $1 million winners.

Theme Games Instant Success

Offering a top prize of $100,000, the new $5 instant game Holiday Surprize was launched December, 1990. Instant $1, $2 and $5 tickets produced $60.1 million in total revenue.

Among instant theme games, the St. Patrick's Day ticket, launched March, 1991, was a cooperative ventur with the British Columbia Lottery Corporation.

The Western Round-Up

In September, 1990, the traditional game Western Express evolved into an instant ticket product. Prior to the format change, the game had the longest-running history of all regional tickets. Sales revenue for 1990-91 reached $15.2 million.

Lotto 6/36 Turns POGO

The final Lotto 6/36 draw was held March 27, 1991. Between April 1, 1987 and April 1, 1991 the game produced many Albertan winners, and generated $43.3 million in sales revenue within Alberta. On March 28, 1991 Lotto 6/36 was replaced by POGO — "Pick One, Get One", a two-for-one-dollar lotto.

Retailers Meet Challenge

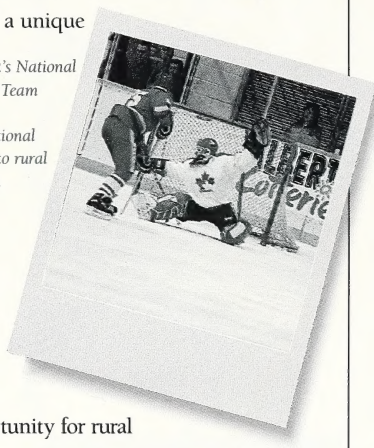
During the year, Alberta Lotteries 1,473 on-line Retailers met and matched, with great success, a complexity of market challenges, changing systems and new products. As the market shifted to chain-dominant stores, mega stores and open-air community malls, retailers upgraded their product knowledge and sales skills, in order to provide outstanding service and reap the rewards of a job well done.

The Spirit of Alberta

During 1990, Alberta Lotteries introduced an updated corporate identity. Depicting the spirit of Alberta, the logomark was expressly created to reflect the fun and excitement of Alberta Lotteries, while uniting retail and beneficiary programs under one dedicated banner.

Supporting World Class Hockey

Canada's National Hockey Team and the Soviet Union Olympic Team participated in an eight-game series in Alberta, January 3 to 13, 1991. Made possible, in part, through a Corporate Sponsorship by Alberta Lotteries, the tour presented a unique



Canada's National Hockey Team brings International hockey to rural Alberta.

opportunity for rural Alberta communities to witness live world-class hockey. Tour stops included Taber, Lloydminster, Ft. McMurray, Grande Prairie, Barrhead, Drumheller and Stettler, and concluded with the Calgary Cup game at the Saddledome.

The sponsorship program will provide $335,000 to Hockey Canada for a three-year period. Funds will support the International Hockey Centre of Excellence in Calgary and the hosting of Alberta tours.

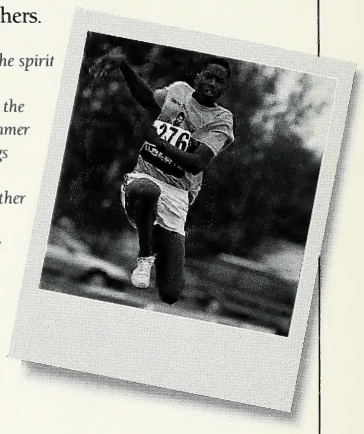
Benefits For All Albertans

All Albertans benefit from lottery product sales in the province. The Alberta Lottery Fund, administered by the Government of Alberta, supports a variety of sport, artistic, cultural, recreational, health and wellness, agricultural, tourism, family and community-related projects initiated largely by non-profit and volunteer organizations across the province.

More than 2,500 lottery grants totalling over $100 million were provided this year to enhance and enrich the quality of community and family life in Alberta. New beneficiaries of lottery funding in 1990-91 included the Alberta Environmental Research Trust, an organization which supports research projects to promote the quality of Alberta's environment. As well, the Science Alberta Foundation received a lottery grant to design community-based activities to promote science awareness and education.

Hundreds of community facilities throughout Alberta benefited from Community Facility Enhancement Program grants again this year. The Program, which commenced in 1988, was allocated $100 million from Alberta's Lottery Fund to disburse over three years to non-profit and volunteer groups for the renovations, repair, expansion and upgrading of a wide variety of rural and urban community facilities throughout Alberta. These facilities support Albertans' active lifestyles and the community spirit which is found throughout the province.

Many lottery-funded agencies and foundations continue to participate in the disbursement of lottery revenues province-wide. Lottery grants are awarded by the Recreation, Parks and Wildlife Foundation, the Alberta Sport Council, the Alberta Art Foundation, the Wild Rose Foundation, the Team Tourism/Community Tourism Action Programs, the Alberta Multiculturalism Commission and the Alberta Historical Resources Foundation, among others.



Sharing in the spirit of friendly competition, the Alberta Summer Games brings developing athletes together from every corner of the province.

The foundations and agencies responsible for channelling lottery funds to beneficiaries have their own established application, review and evaluation processes. Though each has its own particular mandate, they share the common goal of working to provide lottery benefits for all Albertans.

Auditor's Report

To the Partners of the
Western Canada Lottery Alberta Division

We have audited the balance sheet of Western Canada Lottery Alberta Division as at March 31, 1991 and the statement of changes in financial position for the year then ended. We have also audited the statement of lottery operations in Alberta as derived from the financial statements of the Western Canada Lottery Corporation for the year ended March 31, 1991. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Western Canada Lottery Alberta Division as at March 31, 1991 and the changes in its financial position and the results of lottery operations in Alberta for the year then ended in accordance with generally accepted accounting principles.

Ernst & Young

Ernst & Young
Chartered Accountants

Edmonton, Canada
May 28, 1991

Balance Sheet

As at March 31

	1991 $	1990 $
Assets		
Current Assets		
Cash	332,650	250,507
Term Deposits *(note 4)*	180,504	131,800
Accounts receivable	613,655	873,860
Due from Western Canada Lottery Corporation	83,584	86,147
Prepaid expenses and deposits	37,713	52,815
Total assets	1,248,106	1,395,129
Liabilities		
Current liabilities		
Accounts payable and accruals	320,913	373,563
Retailers' security deposits	128,704	80,000
Due to Western Canada Lottery Corporation:		
Tickets sold to retailers	264,147	153,649
Other payables	186,409	112,187
Contingent liability *(note 5)*		
Excess of advances from Western Canada Lottery Corporation over net operating expenses *(note 6)*	347,933	675,730
Total liabilities	1,248,106	1,395,129

On behalf of the Board:

Robert Prestage
Director

Jack Berthelsen
Director

Statement of Changes in Financial Position

Year ended March 31

Advances from the Western Canada Lottery Corporation	8,300,000	8,075,000
Net operating expenses *(schedule A)*	(8,627,797)	(8,145,287)
Changes in non-cash working capital balances		
Accounts receivable	260,205	(196,002)
Due from Western Canada Lottery Corporation	2,563	(44,244)
Prepaid expenses and deposits	15,102	(28,971)
Accounts payable and accruals	(52,650)	(56,103)
Retailers' security deposits	48,704	35,000
Due to Western Canada Lottery Corporation	184,720	43,068
Cash provided by (used in) operating activities	130,847	(317,539)
Net increase (decrease) in cash and term deposits during the year	130,847	(317,539)
Cash and term deposits, beginning of year	382,307	699,846
Cash and term deposits, end of year	513,154	382,307

See accompanying notes.

Statement of Lottery Operations in Alberta *(Note 2)*

Year ended March 31

		1991 $	1990 $
Revenue	Lotto 6/49 ticket sales	173,267,534	152,232,123
	Instant ticket sales	60,138,293	73,250,809
	The Plus ticket sales	24,920,368	20,111,660
	Western Express ticket sales	15,234,160	14,038,244
	Sport Select ticket sales	11,549,880	—
	Provincial ticket sales	10,809,877	12,276,065
	Lotto 6/36 ticket sales	10,658,171	9,827,699
	Super Loto/special event ticket sales	5,944,191	6,493,754
	Daily Deal ticket sales	2,541,568	2,390,249
		315,064,042	290,620,603
Direct Expenses	Share of the cost of prizes, tickets and administration	177,883,775	167,006,315
	Retailer commissions	18,870,735	17,364,439
		196,754,510	184,370,754
	Income from lottery operations in Alberta	118,309,532	106,249,849
	Other income	3,927,310	3,328,947
	Federal tax expense *(note 7)*	(785,173)	—
	Income before the following charges	121,451,669	109,578,796
	Payment to Federal Government	4,660,790	4,410,297
	Net operating expenses of the Western Canada Lottery Alberta Division *(schedule A)*	8,627,797	8,145,287
Net Income	**Net income from lottery operations in Alberta**	108,163,082	97,023,212

See accompanying notes.

Schedule A
Net Operating Expenses

Year ended March 31

	1991 $	1990 $
Salaries and benefits	**3,716,169**	3,345,653
Advertising and corporate community relations	**3,001,863**	3,223,672
Travel	**711,732**	634,130
Professional fees	**434,623**	200,070
Maintenance, utilities and rent	**352,258**	326,267
Postage and office supplies	**186,600**	172,474
Telephone and fax	**115,770**	101,225
Courier delivery program	**115,197**	124,833
Goods and services tax	**70,402**	—
Fixed asset purchases	**62,819**	267,792
Directors' meetings and expenses	**58,615**	52,505
Miscellaneous	**49,004**	38,836
Insurance and bonding	**32,108**	25,944
Redemption expenses	**28,722**	19,999
Bad debt expense	**9,529**	86,474
Special retailers	**5,769**	18,612
Finance charges	**1,620**	2,920
	8,952,800	8,641,406
Other (income) expense:		
Retailer service fees net of related expenses of $71,521 (1990 - $33,193)	**(322,290)**	(360,610)
Interest income	**(71,030)**	(70,309)
Federal tax expense *(note 7)*	**70,402**	—
Proceeds on sale of fixed assets	**(2,085)**	—
Ticket loss provision reduction	**—**	(65,200)
Net operating expenses	**8,627,797**	8,145,287
Allocation of net operating expenses		
Provincial Marketing Organization	**4,192,548**	3,635,312
Program and Services Office	**4,435,249**	4,509,975
	8,627,797	8,145,287

See accompanying notes.

Notes to Financial Statements

March 31, 1991

1. Nature of the Partnership

The Alberta Division is a partnership of Edmonton Northlands and the Calgary Exhibition and Stampede Ltd., and is licensed to act as the Provincial Marketing Organization in Alberta under the authority of the Lottery Licence, as issued by the Minister of the Government of Alberta responsible for the Interprovincial Lottery Act. The partners do not directly receive any portion of the net proceeds from lottery schemes in Alberta but do receive amounts as beneficiaries from the Lottery Fund at the discretion of the Minister. All assets of the Partnership are owned by the Government of Alberta.

The Alberta Division acts as agent of the Government of Alberta which is a member of the Western Canada Lottery Corporation. The Corporation provides, without financial gain, in Manitoba, Saskatchewan and Alberta, services concerning the conduct, management and operation of lottery schemes.

The Lottery Licence requires the Corporation to conduct, manage and operate in Alberta as the agent of the Government of Alberta such lottery schemes as designated by the Minister. The Corporation distributes the net proceeds arising from the sales of authorized lottery schemes in Alberta to the Lottery Fund in the manner prescribed in the Licence.

The Alberta Division has additionally agreed to provide facilities, personnel and resources to the Minister responsible for Lotteries to fulfill requirements for administering the Interprovincial Lottery Act and the Lottery Fund. These functions are administered by the Program and Services Office.

2. Statement of Lottery Operations in Alberta

The statement of lottery operations in Alberta is derived from the financial statements of the Western Canada Lottery Corporation. It reflects total lottery ticket sales in Alberta and the direct expenses related thereto such as the cost of prizes, tickets, administration and distribution. Net operating expenses represent the costs incurred by the Alberta Division in its capacity as Provincial Marketing Organization together with other costs relating to the conduct of its business, less interest income, retailer licensing fees and other income as well as costs incurred to provide facilities, personnel and resources to the Program and Services Office.

3. Significant Accounting Policies

a) The cost of fixed assets acquired is charged to operations. No charge for depreciation is recorded. During the year the Alberta Division acquired fixed assets in the amount of $62,819 (1990 - $267,792).

b) These financial statements do not include any assets, liabilities, revenues and expenses of the partners.

4. Term Deposits

Term deposits include $128,704 (1990 - $80,000) representing security deposits received from retailers. This amount is available to the Alberta Division should the retailers default on ticket payments.

5. Contingent Liability

The Alberta Division is contingently liable for lottery ticket inventory held on behalf of the Western Canada Lottery Corporation. At March 31, 1991, the Division's sales representatives held lottery tickets valued at $574,548 (1990 - nil).

6. Excess of Advances from Western Canada Lottery Corporation Over Net Operating Expenses

This account represents advances from the Western Canada Lottery Corporation less net operating expenses.

	1991 $	1990 $
Balance, beginning of year	675,730	746,017
Advances from the Western Canada Lottery Corporation	8,300,000	8,075,000
Net operating expenses *(schedule A)*	(8,627,797)	(8,145,287)
Balance, end of year	347,933	675,730

7. Federal Tax

Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on lottery ticket sales based on a formula prescribed by legislation. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

8. Lease Commitments

The Alberta Division is committed to total minimum lease payments of approximately $990,729 under operating leases over the next five years as follows: 1992 - $334,525; 1993 - $289,742; 1994 - $246,816; 1995 - $119,646; 1996 - nil.

9. Comparatives

Certain comparative figures have been restated to conform to the presentation adopted in the current year.

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ALBERTA Lotteries

The provincial government of Alberta is a member of the Western Canada Lottery Corporation, along with the governments of Manitoba and Saskatchewan. The Yukon Territory and the Northwest Territories participate within the Corporation as associate members. To assist the Corporation with the disbursement of lottery products in Western Canada, each provincial/territorial jurisdiction has appointed a lottery organization. Alberta's lottery organization is the Western Canada Lottery, Alberta Division, known as "Alberta Lotteries".